

In July, the German moratorium certainly produced a highly difficult and dangerous situation, but the crisis in Britain was created by the issue, on the last day of that month, half an hour after members of the House of Commons dispersed for the summer recess, of the famous Report of the May Committee. This document drew a picture intended to be terrifying of the budgetary position. It proved terrifying, not at home only, but abroad it created something like a panic, there was a serious drain on gold from London. The crisis arose. Its focus was made, by the May Report, the expenditure arising out of the Unemployment Insurance system—a matter on which (although most people chose to forget this at the time) the May Commissioners were not experts, and into which an expert body, in the shape of a Royal Commission, was enquiring at the time. In the May Report, the cost of State aid to Unemployment Insurance was presented as the leak that was sinking the ship of State. The situation which, when it met in August, the Cabinet had to face was that the Bank of England required loans from abroad to stabilise its own Gold Reserve, and to that end, the Budget had got to be so balanced as to satisfy foreign lenders. Cuts in Unemployment Insurance, so the Cabinet was told by the Prime Minister, were "conditions of the borrowing."

"At any rate, the Labour Cabinet, which had already unan-
 imously determined to balance the Budget by immediately im-
 posing the necessary additional taxation and by making any

prudent economies, refused to accept any such
'condition' as Mi MacDonald has described, of
the borrowing' and late on
Sunday evening, 23rd August, in order not to
render urgent
public business impossible, empowered the Prime
Minister to
tender to the King his own resignation, which
automatically
includes the termination of office of the whole
Ministry. It was
taken for granted that the King would immediately
send for Mr
Baldwin, the leader of the Conservative Party, and
entrust him
with the formation of a new Government. It is
significant that
Mr Neville Chamberlain, who as Mr Baldwin's
principal